

LUXCHEM CORPORATION BERHAD

(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2017

The Board of Directors of Luxchem Corporation Berhad (“LCB” or “the Company”) is pleased to announce the following unaudited consolidated results of LCB and its subsidiaries (collectively known as “the Group”) for the quarter ended 30 June 2017.

The Company is principally involved in investment holding while the subsidiaries of the Company are principally involved in the marketing and distribution of industrial chemicals and materials, the manufacture of Unsaturated Polyester Resins and manufacture of latex chemical dispersion and related products for the latex industry.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarters	
	(3 months)		(6 months)	
	Current Quarter Ended 30-Jun-17 RM	Preceding Year Corresponding Quarter Ended 30-Jun-16 RM	Current Year Ended 30-Jun-17 RM	Preceding Year Ended 30-Jun-16 RM
Revenue	203,114,408	175,848,534	421,246,381	335,818,130
Cost of sales	(184,039,276)	(154,893,489)	(376,969,591)	(296,162,513)
Gross profit	19,075,132	20,955,045	44,276,790	39,655,618
Other operating income	(28,673)	1,501,193	1,105,406	3,328,655
Selling and distribution costs	(1,448,744)	(1,344,042)	(2,905,932)	(2,743,102)
Administrative expenses	(4,654,041)	(2,763,904)	(9,741,404)	(10,658,304)
Administrative expenses - Share Option Expense	(292,906)	(426,990)	(1,007,502)	(1,241,739)
Other operating expenses	(53,011)	80,397	(68,365)	(122,908)
Operating profit	12,597,757	18,001,699	31,658,992	28,218,219
Finance costs	(889,202)	(566,743)	(1,557,787)	(1,212,556)
Profit before Tax	11,708,555	17,434,956	30,101,205	27,005,663
Taxation	(2,920,735)	(4,267,543)	(7,531,293)	(6,767,178)
Profit for the period	8,787,820	13,167,413	22,569,912	20,238,484
Exchange gain/ (loss) on translation of foreign operations	(102,995)	6,262	(138,318)	(1,963)
Gain/(loss) on revaluation of available-for-sale investments	328,214	(90,913)	384,927	(260,733)
Total other comprehensive income	225,218	(84,651)	246,608	(262,696)
Total comprehensive income for the period	9,013,038	13,082,762	22,816,521	19,975,789
Profit attributable to:				
-Owners of the Company	8,656,774	13,031,589	22,266,147	20,033,874
-Non controlling interests	131,046	135,824	303,765	204,611
Total comprehensive income attributable to:	8,787,820	13,167,413	22,569,912	20,238,484
-Owners of the Company	8,897,606	12,939,633	22,529,854	19,813,542
-Non controlling interests	115,433	143,130	286,667	162,247
Earnings per share attributable to owners of the Company	9,013,038	13,082,762	22,816,521	19,975,789
Earnings per share - Basic (Sen)	3.12	4.86	8.03	7.47
Earnings per share - Fully Diluted (Sen)	3.01	4.64	7.75	7.14

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this quarterly financial report.

LUXCHEM CORPORATION BERHAD

(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2017

NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Current Quarter Ended 30-Jun-17 RM	Current Year to date Ended 30-Jun-17 RM
Interest Income	440,518	662,177
Other income*	(469,191)	443,229
Interest Expense	889,202	1,557,787
Depreciation & amortisation	630,049	1,217,096
Foreign exchange (Gain)/Loss - realised	321,424	1,211,988
Foreign exchange (Gain)/Loss - unrealised	310,361	(140,316)
(Gain)/loss on derivatives	119,173	2,345

*Includes Foreign exchange Gain and Gain on derivatives

LUXCHEM CORPORATION BERHAD

(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30-Jun-17 RM	Audited As at 31-Dec-16 RM
ASSETS		
Non-current Assets		
Property, plant and equipment	43,529,969	39,020,581
Intangible assets	389,072	293,340
Other investments	1,342,105	957,179
Goodwill	35,802,888	35,802,888
Deferred tax assets	214,966	222,310
	<u>81,279,000</u>	<u>76,296,298</u>
Current Assets		
Inventories	58,799,846	72,656,622
Trade and other receivables	146,438,439	130,310,365
Derivative financial assets	484	-
Tax recoverable	1,942,352	1,766,750
Deposits, cash and bank balances	82,902,398	88,494,750
	<u>290,083,519</u>	<u>293,228,487</u>
Total Assets	<u>371,362,519</u>	<u>369,524,785</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	153,637,722	137,660,776
Share premium	-	11,759,663
Other reserves	5,250,554	5,100,636
Retained profits	85,968,730	76,262,183
Total equity attributable to owners of the Company	<u>244,857,007</u>	<u>230,783,258</u>
Non-controlling interests	608,630	321,964
Total Equity	<u>245,465,637</u>	<u>231,105,222</u>
Non-current Liabilities		
Hire purchase payables	327,963	508,881
Retirement benefits	297,201	307,354
Deferred tax liabilities	1,268,569	1,267,986
	<u>1,893,733</u>	<u>2,084,221</u>
Current Liabilities		
Trade and other payables	34,634,414	77,211,586
Hire purchase payables	338,160	323,908
Derivative financial liabilities	6,583	3,754
Bank borrowings	85,743,479	55,649,498
Taxation	3,280,513	3,146,596
	<u>124,003,149</u>	<u>136,335,342</u>
Total Liabilities	<u>125,896,882</u>	<u>138,419,563</u>
Total Equity and Liabilities	<u>371,362,519</u>	<u>369,524,785</u>
Net Assets per ordinary share attributable to ordinary equity holders of the Company (RM)	0.89	0.84

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this quarterly financial report.

LUXCHEM CORPORATION BERHAD

(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Year to date Ended 30-Jun-17 RM	Preceding Year Corresponding Period Ended 31-Dec-16 RM
Cash flows from operating activities		
Profit before taxation	30,101,205	59,078,138
Adjustments for :-		
Amortisation of intangible assets	74,051	141,706
Bad debt written off	-	6,975
Depreciation of property, plant and equipment	1,143,045	2,015,361
Amortisation of investment property	-	1,955
Defined benefit obligations	-	84,489
Dividend income	(6,770)	(129,519)
Net (gain)/loss on changes in fair value of forward exchange contracts	2,345	(17,998)
Net gain on disposal of property, plant and equipment	(944)	(194,163)
Net gain on disposal of investment property	-	(84,976)
Impairment losses on trade receivables	-	222,151
Interest income	(662,177)	(1,368,645)
Interest expense	1,557,787	2,555,362
Inventories written off	-	44,250
Write down in value of inventories	-	607,825
Property, plant and equipment written off	3,477	46,371
Net Unrealised (gain)/loss on foreign exchange	(140,316)	(659,346)
Reversal of impairment losses on trade receivables	(141,674)	(660,090)
Reversal of inventories written down	-	(405,962)
Share options expense	1,007,502	2,579,568
Operating profit before working capital changes	32,937,532	63,863,452
Decrease/ (increase) in inventories	13,690,438	(17,398,236)
Decrease/ (Increase) in trade and other receivables	(16,121,281)	5,526,835
Increase/ (decrease) in trade and other payables	(42,150,387)	10,891,358
Cash generated from operations	(11,643,698)	62,883,409
Tax paid	(7,855,884)	(20,389,506)
Interest received	662,177	1,368,645
Interest paid	(1,557,787)	(2,555,362)
Retirement benefit paid	-	(36,490)
Net cash (used in)/from operating activities	(20,395,192)	41,270,696
Cash flows from investing activities		
Acquisition of a subsidiary	-	(34,938,968)
Additional injection of capital from Non-controlling interest	-	452,550
Purchase of property, plant and equipment	(5,676,903)	(6,850,512)
Purchase of intangible assets	(169,783)	(58,695)
Proceeds from disposal of property, plant and equipment	943	228,715
Proceeds from disposal of an investment property	-	200,000
Dividend received	6,770	129,519
Net cash used in investing activities	(5,838,973)	(40,837,391)
Cash flows from financing activities		
Proceeds from shares issued pursuant to share options exercised	3,095,990	3,662,293
Term Loan repaid	-	(838,954)
Net bankers' acceptances (repaid)/obtained	30,652,253	(8,920,063)
Hire purchase instalments paid	(158,480)	(221,977)
Dividend paid	(12,559,615)	(19,219,633)
Net cash from/(used in) financing activities	21,030,148	(25,538,334)
Net (decrease)/increase in cash and cash equivalents	(5,204,018)	(25,105,029)
Cash and cash equivalents at beginning of year	88,494,750	113,253,287
Net exchange differences	(388,334)	346,492
Cash and cash equivalents at end of the period	82,902,398	88,494,750
Cash and cash equivalents at end of year comprised:-		
Deposits with financial institutions	24,716,139	21,454,278
Cash and bank balances	58,186,259	67,040,472
	82,902,398	88,494,750

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this quarterly financial report.

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(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 June 2017

	Attributable to Owners of the Company						Total RM	Non-controlling interests RM	Total RM
	Non - distributable			Distributable					
	Share capital RM	Share premium RM	Exchange translation reserve RM	Fair value adjustment reserve RM	Share Option reserve RM	Retained profits RM			
2017									
Balance at 1 January 2017	137,660,776	11,759,663	109,781	661,836	4,329,019	76,262,183	230,783,258	321,964	231,105,222
Adjustments for effects of Companies Act 2016*	11,767,433	(11,767,433)	-	-	-	-	-	-	-
Profit/(Loss) for the year	-	-	-	-	-	22,266,162	22,266,162	303,765	22,569,927
Exchange gain/(loss) on translation of foreign operations	-	-	(121,219)	-	-	-	(121,219)	(17,099)	(138,317)
Loss on changes in fair value of available-for-sale financial assets	-	-	-	384,927	-	-	384,927	-	384,927
Total comprehensive income/(loss) for the year	-	-	(121,219)	384,927	-	22,266,162	22,529,870	286,667	22,816,537
Share options granted under ESOS	-	-	-	-	1,007,502	-	1,007,502	-	1,007,502
Issue of shares pursuant to exercise of share options:									
- shares issued	3,088,220	7,770	-	-	-	-	3,095,990	-	3,095,990
- attributable option reserve transferred	1,121,293	-	-	-	(1,121,293)	-	-	-	-
Dividends paid	-	-	-	-	-	(12,559,615)	(12,559,615)	-	(12,559,615)
Balance at 30 June 2017	153,637,722	-	(11,438)	1,046,763	4,215,228	85,968,730	244,857,005	608,631	245,465,636

For the 6 months ended 30 June 2016

	Attributable to Owners of the Company						Total RM	Non-controlling interests RM	Total RM
	Non - distributable			Distributable					
	Share capital RM	Share premium RM	Exchange translation reserve RM	Fair value adjustment reserve RM	Share Option reserve RM	Retained profits RM			
2016									
Balance at 1 January 2016	132,537,200	2,689,578	121,430	864,679	3,095,284	51,977,659	191,285,830	(294,780)	190,991,050
Profit/(Loss) for the year	-	-	-	-	-	20,036,074	20,036,074	204,613	20,240,687
Exchange gain/(loss) on translation of foreign operations	-	-	(234,552)	-	-	-	(234,552)	(42,364)	(276,916)
Loss on changes in fair value of available-for-sale financial assets	-	-	-	(260,732)	-	-	(260,732)	-	(260,732)
Additional injection of capital	-	-	-	-	-	-	-	452,550	452,550
Total comprehensive income/(loss) for the year	-	-	(234,552)	(260,732)	-	20,036,074	19,540,790	614,799	20,155,589
Share options granted under ESOS	-	-	-	-	1,241,739	-	1,241,739	-	1,241,739
Issue of shares pursuant to exercise of share options:									
- shares issued and premium arising	1,966,150	857,093	-	-	-	-	2,823,243	-	2,823,243
- attributable option reserve transferred	-	1,032,263	-	-	(1,032,263)	-	-	-	-
Shares issued for acquisition of a subsidiary	2,592,426	6,607,574	-	-	-	-	9,200,000	-	9,200,000
Share options forfeited	-	-	-	-	(8,480)	8,480	-	-	-
Dividends paid	-	-	-	-	-	(12,338,170)	(12,338,170)	-	(12,338,170)
Balance at 30 June 2016	137,095,776	11,186,508	(113,122)	603,947	3,296,280	59,684,043	211,753,432	320,019	212,073,451

*Pursuant to the Companies Act 2016, the credit standing in the share premium account of RM 11,767,433 has been transferred to share capital account.

Based on the transitional provisions of Section 618 of the Companies Act 2016, the Company will decide the utilisation of the credit standing in the share premium account in due course.

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this quarterly financial report.

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(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2017

PART A	NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134"), INTERIM FINANCIAL REPORTING
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A1. Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting* and Chapter 9 Part K of the Bursa Securities Listing Requirements. Unless otherwise described below, the accounting policies and method of computation adopted for the interim financial statements were consistent with those adopted for the audited financial statements for the year ended 31 December 2016.

The accounting policies applied by the Group are consistent with those applied in the annual financial statements for the year ended 31 December 2016 other than the application of a new MFRS and amendments to MFRSs which became effective for annual period beginning on 1 January 2017. The initial application of these new MFRS and amendments to MFRSs has no material impact on this interim financial reporting.

A2. Auditors' Report

There was no qualification on the audited financial statements of the Company for the financial year ended 31 December 2016.

A3. Seasonal or cyclical factors

The business operations of the Group were not significantly affected by seasonal or cyclical factors during the period under review

A4. Items of Unusual nature and Amount

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence in the quarterly financial reports.

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(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2017

PART A NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134"), INTERIM FINANCIAL REPORTING

A5. Issuance, Cancellations, Repurchase, Resale and Repayments of Debt and Equity Securities

On 1 December 2014, the Company established an Employees' Share Option Scheme that entitles eligible directors and employees of the Group ("Eligible Persons") to participate in the ordinary share capital of the Company. The share option scheme has a tenure of five (5) years which expires on 30 November 2019.

The following shows the status of the options granted:

Date of grant	No. of options granted	No. of options vested		No. of options vested As at 30-Jun-17	Exercise price/ option Note 1	Fair Value /option Note 2	No. of options exercised				Vested Options cancelled As at 30 Jun 17	Balance of vested & exercisable options as at 30-Jun-17
		As at 31-Dec-16	YTD Q2 2017				As at 1 Jan 17	Q1 2017	Q2 2017	YTD JUN 17		
		No.	No.				No.	No.	No.	No.		
22-Jan-15	31,986,000	12,661,400	5,968,200	18,629,600	0.71	0.265	9,825,700	167,000	3,923,000	4,090,000	80,000	4,633,900
22-Jun-15	1,446,000	566,400	277,200	843,600	1.02	0.168	281,000	-	135,000	135,000	12,000	415,600
22-Jun-16	2,540,000	635,000	620,000	1,255,000	1.47	0.399	30,000	-	37,000	37,000	15,000	1,173,000
22-Jun-17	3,031,000	-	-	-	1.59	-	-	-	-	-	-	-
	39,003,000	13,862,800	6,865,400	20,728,200			10,136,700	167,000	4,095,000	4,262,000	107,000	6,222,500
Forfeited	(1,784,000)											
Net granted	37,219,000											

Note 1: The respective exercise price of the share options as above, was determined based on the volume weighted average market price of the Company's shares for the five (5) market days immediately preceding the date of offer with a 10% discount.

Note 2: The fair value of the share options granted was measured using the Trinomial Option Pricing model.
The fair value of share options granted on 22 Jun 17 has not been included yet, as the options will vest only from 1 July 17

LUXCHEM CORPORATION BERHAD

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(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2017

PART A	NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134"), INTERIM FINANCIAL REPORTING
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A6. Segmental Information

Segmental results by business activities:-

	Current Quarter Ended 30 June 2017 (3 months)		Current Year To Date Ended 30 June 2017 (6 months)	
	Revenue	Profit/ (loss) Before Tax	Revenue	Profit/ (loss) Before Tax
	RM	RM	RM	RM
Business Activities:				
Investment Holding	13,000,000	12,938,575	13,000,000	12,893,357
Trading	173,154,877	6,911,843	354,530,075	16,519,978
Manufacturing	54,939,571	4,791,660	119,193,266	13,678,262
Total	241,094,448	24,642,079	486,723,341	43,091,597
Consolidation Adjustments	(37,980,040)	(12,933,525)	(65,476,960)	(12,990,392)
	203,114,408	11,708,554	421,246,381	30,101,205

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(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2017

PART A	NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134"), INTERIM FINANCIAL REPORTING
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A7. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current period under review.

A8. Capital commitments

Capital commitments as at 30 Jun 17	Amount RM
Capital expenditure in respect of purchase of property, plant and equipment - authorised and contracted for	4,604,540
	<u>4,604,540</u>

A9. Changes in the Composition of the Group

There was no change in the composition of the group during the current period and year to date.

LUXCHEM CORPORATION BERHAD

(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2017

PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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B1. Review of performance of the Company and its principal subsidiaries

	Current Quarter Ended 30-Jun-17 RM	Preceding Year Corresponding Quarter Ended 30-Jun-16 RM	Change RM
Revenue	203,114,408	175,848,534	27,265,874
Profit Before Tax	11,708,550	17,434,956	(5,726,406)

Revenue for the current quarter is higher than the preceding year corresponding quarter. This is mainly due to higher contribution from the trading segment.

Profit Before Tax for the current quarter is lower than the preceding year corresponding quarter. This is due to lower contribution from both trading and manufacturing segment.

	Current Quarter Ended 30-Jun-17 RM	Previous Quarter Ended 31-Mar-17 RM	Change RM
Revenue	203,114,408	218,131,973	(15,017,565)
Profit Before Tax	11,708,550	18,392,651	(6,684,101)

Revenue for the current quarter is lower than the previous quarter due to lower contribution from both trading and manufacturing segment.

Profit Before Tax for the current quarter is lower than the previous quarter, due to lower contribution from both trading and manufacturing segment.

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(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2017

PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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B2. Prospects for the following financial year

Fluctuations in exchange rates and raw material prices will continue to be a challenge to the Group. However, the Directors remain positive with the Group's prospects.

B3. Variance between Actual Profit and Forecast Profit

The Group did not issue any profit forecast in a public document during the current financial period.

B4. Taxation

	Current Quarter Ended 30-Jun-17 RM	Current Year Ended 30-Jun-17 RM
Current tax expenses	(2,920,735)	(7,531,293)

The effective tax rate of the Group is approximately the statutory tax rate.

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QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2017

PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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B5. Group borrowings and debt securities

The Group's borrowings as at 30 June 2017 as follows:-

	Secured RM	Unsecured RM	Total RM
<u>Short term borrowing:-</u>			
Bankers' Acceptance	-	85,743,479	85,743,479
Hire Purchase Payable	338,160	-	338,160
	<u>338,160</u>	<u>85,743,479</u>	<u>86,081,639</u>
<u>Long Term borrowings:-</u>			
Hire Purchase Payable	327,963	-	327,963
	<u>327,963</u>	<u>-</u>	<u>327,963</u>
Total	<u>666,123</u>	<u>85,743,479</u>	<u>86,409,602</u>

B6. Realised and Unrealised Profit

	Current financial year ended 30 Jun 2017 RM	31-Dec-16 RM
Total retained profits of LCB and its subsidiaries		
- Realised	155,700,379	152,064,721
- Unrealised	(919,378)	(390,084)
	<u>154,781,001</u>	<u>151,674,637</u>
Less: Consolidation adjustments	(68,812,270)	(75,412,454)
Retained profits as per financial statements	<u>85,968,730</u>	<u>76,262,183</u>

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QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2017

PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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B7. Financial Guarantee

The Company has provided various financial guarantees to banks for the guarantee of credit facilities granted to its various subsidiaries. As at 30 June 2017, the amount of bank borrowings of its subsidiaries guaranteed by the company amounted to RM 85.74 million.

In addition, the Company has also provided Corporate Guarantee to Suppliers in respect of credit facilities granted to subsidiaries. As at 30 June 2017, the amount of Corporate Guarantee to suppliers amounted to RM 15.24 million. The Company monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations. In view that there is minimal risk of default, the Company has not recognised the value of the obligation under the Financial Guarantee in its books.

B8. Material Litigation

As at 30 June 2017, neither our Company nor any of our subsidiaries is engaged in any material litigation and arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our subsidiaries and our Directors are not aware of any proceedings pending or threatened or any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Company our subsidiaries.

B9. Proposed Dividend

The Board of Directors declared a single tier interim dividend of 2.5 sen per ordinary share for the financial year ending 31 December 2017. The interim dividend shall be paid on 29 September 2017.

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(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2017

PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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B10. Earnings per share

(a) Basic earnings per share

The basic earnings per share is calculated based on the Group's profit attributable to equity holders of the Company of RM8.66million for the current quarter and RM22.27million for the current financial year-to-date as at 30 June 2017 and on the weighted average number of shares in issue of 277,302,656 as at 30 June 2017.

(b) Diluted earnings per share

Diluted earnings per share is calculated based on the Group's profit attributable to equity holders of the Company of RM8.66 million for the current quarter and RM22.27 million for the current financial year-to-date as at 30 June 2017 and the adjusted weighted average number of ordinary shares in issue of 287,273,217 as at 30 June 2017.

By order of the Board,

Chen Moi Kew
Director / Chief Financial Officer
Date: 26 July 2017